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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

| | | |
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| In the Matter of | ) | |
| | ) | |
| Beehive Telephone Company, Inc. | ) | CC Docket No. 97-249 |
| Beehive Telephone, Inc. Nevada | ) | |
| | ) | Transmittal No. 8 |
| Tariff F.C.C. No. 1 | ) | |

# OPPOSITION TO DIRECT CASE OF BEEHIVE TELEPHONE COMPANY

Pursuant to the Order Designating Issues for Investigation issued by the Common Carrier Bureau ("Bureau"),[1] AT&T Corp. ("AT&T") hereby files its Opposition to the Direct Case of Beehive Telephone Company, Inc. and Beehive Telephone, Inc. Nevada (collectively, "Beehive").

On December 17, 1997, Beehive filed Transmittal No. 8, which proposed to revise its interstate access rates pursuant to the Commission's Access Charge Reform Order[2] by increasing its premium and non-premium local switching rates, reducing local transport facility rates and increasing local transport termination rates. On December 23, 1997, AT&T filed a petition to suspend and investigate Transmittal No. 8, arguing that Beehive had

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1 Beehive Telephone Company, Inc., Beehive Telephone, Inc. Nevada, CC Docket No. 97-249, DA 98-502 (Com.Car. Bur. 1998). ("Designation Order").

2 Access Charge Reform Order, 12 FCC Rcd 15982 (1997).

failed adequately to support the rate revisions. On December 30, 1997, the Commission suspended the transmittal for one day and initiated an investigation into the lawfulness of the filing.[3]

In the Designation Order, the Commission determined that, because Transmittal No. 8 is based on cost information for calendar years 1995 and 1996, which the Commission had already found insufficient to support Beehive's 1997 annual access tariff, it would designate many of the same issues for investigation that it had previously designated as part of its review of that tariff.[4] These issues include why Beehive's ratio of operating expenses to total plant in service ("TPIS") is so high, both as compared to prior years and as compared to other small local exchange carriers ("LECs"), and the specific costs associated with its legal expenses, which Beehive claims account for overly high corporate operations expenses.[5]

Beehive filed its direct case on April 6, 1998 and supplemented it on April 8 and April 10, 1998. From

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[3] Tariffs Implementing Access Charge Reform, Beehive Telephone Company, CC Docket Nos. 97-250 and 97-249 (Com.Car.Bur. 1997).

[4] See Beehive Telephone Company, Inc., Beehive Telephone, Inc. Nevada, Transmittal No. 6, CC Docket No. 97-237, DA 98-1, Memorandum Opinion and Order (1998) ("Beehive Transmittal No. 6 Prescription Order").

[5] Designation Order at para. 9-11.

Beehive's submissions, it is clear that it has failed to meet its burden of proof under Section 204(a)(1) of the Communications Act to show that its proposed rates are just and reasonable.

In particular, Beehive's cost support shows that its expenses are excessive in relation to its investment. Its total operating expenses to TPIS ratio is extraordinarily high, which it explains is due to the costs associated with its revenue-sharing agreement with Joy Enterprises, Inc. ("JEI"). As shown below, this arrangement, the lawfulness of which is currently subject to a formal complaint proceeding before the Commission, has caused Beehive to increase its rates unreasonably, and all costs associated with it should be excluded from Beehive's rate base.

In addition, Beehive has failed to justify nearly all of the legal expenses it claims contribute to its high corporate operations expenses. Its cost support also contains numerous questionable entries for which Beehive has provided no explanation in accordance with its burden of proof, and several additional errors which the Commission should consider in reviewing Beehive's direct case. Accordingly, the Commission should exercise its authority to either prescribe a rate that is just and reasonable, as it found necessary to do with Transmittal No. 6 and as it warned it would do again in the

Designation Order,[6] or, alternatively, allow a partial authorization of the proposed rates pursuant to Section 204(b) of the Act.

Beehive's ratio of operating expenses to TPIS was extraordinarily high in 1995 and 1996, the years on which Beehive has based the rates in Transmittal No. 8. According to Beehive's 1995 and 1996 unweighted study, its ratio was 122.65 percent in Utah in 1995 and 84.88 percent in Utah in 1996 as compared with the average industry ratio of 21.55 percent, as reported by the Commission in its order addressing Beehive's Transmittal No. 6. See Attachment 1 hereto. Beehive's combined ratio for the two companies was 68.19 percent in 1995 and 52.87 percent in 1996. Direct Case at 6-8.

Although Beehive reports its total operating expenses to TPIS ratio on a combined company basis, it is significant that the ratio is so high in Utah. Beehive admits that its ratio reflects significant increases in plant specific and corporate operations expenses, including legal expenses, attributable to JEI, which operates primarily out of Beehive's Utah exchanges. Direct Case at 5-7. Beehive initially compensated JEI at a rate of $.04 per minute of traffic generated by JEI, and later at a rate of $84,000 per month. It allocated these costs equally to general purpose computers, digital electronic switching and general and administrative

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[6] Designation Order at para. 8.

accounts. Beehive has not demonstrated the appropriateness of this accounting classification for the JEI expenses. At a minimum, because all of these accounts have very high interstate access allocations, Beehive's accounting practice is most likely intended to ensure that it collects access rates which remain high enough to share with JEI.

An even more sinister possibility associated with Beehive's arrangement with JEI relates to its unexplained relationship to the chat line provider. Beehive's Utah ledgers show debits and credits for JEI which are reported in specified accounts as identical amounts, making it appear that they offset each other in some cases. For example, the 1996 Utah ledger shows debits to JEI of $548,618.75 and credits for the same amount, resulting in a zero balance. If JEI's compensation is merely an accounting fiction put in place to mask the fact that Beehive is an owner of JEI, then it is more apparent than ever that Beehive's arrangement with JEI, which has become responsible for generating 95 percent of the traffic that terminates in Beehive's territory, is a sham and is intended to operate solely as a device to increase Beehive's access revenues at the expense of its interexchange carrier customers.

It is imperative that the Commission disallow all of Beehive's expenses associated with JEI, which Beehive has attempted to recover since 1994 through access rates which the Commission has found were set based upon unlawful rate of return percentages.[7] Among the most significant of these expenses are the increased legal fees which Beehive claims it has incurred as a result of JEI. It indicates that the increase in its legal expenses from $309,224 in 1994 to $727,395 in 1995 was directly related to "its efforts to increase MOUs." Direct Case at 8.[8] These alleged expenses reflect the fact that AT&T and other interexchange carriers ("IXCs") have been forced to litigate the lawfulness of the JEI arrangement to which they have been subject as captive ratepayers since its inception.[9] Clearly, Beehive has not and cannot show, as it is required to do under the Commission's Designation Order, that an arrangement which results in such inflated access charges and excessive legal expenses associated with defending those charges somehow benefits interstate access customers.

In fact, Beehive has not shown that many of its other legal expenses are justified, and argues that it

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7 Beehive Transmittal No. 6 Prescription Order at paras. 13, 16.

8 Beehive's text of its direct case does not match its Exhibit 5. Exhibit 5 reports that Beehive had legal expenses of $277,872 in 1994 and $672,964 in 1995. Beehive has failed to show which set of numbers is accurate.

9 As AT&T alleged in its formal complaint on this issue before the Commission, its access bills from Beehive increased from between $5,000 to $10,000 per month to approximately $500,000 per month after the chat line began operating in 1994. See AT&T v. Beehive, File No. E-97-04 (filed Oct. 28, 1996), at 3-5.

should not be required to do so. Direct Case at 14-16. The Commission held in its Litigation Costs Order that for litigation involving matters other than antitrust violations, the ratemaking process will presume that the carrier incurred the costs in the ordinary course of business and that they benefited ratepayers.[10] The Commission stated, however, that its ruling was narrow and addressed only whether the Commission should revise the accounting treatment for costs associated with litigation.[11] Indeed, the Commission stated that costs may not always be recovered from ratepayers and that costs which are "illegal, duplicative or unnecessary" should be raised and reviewed before a carrier is allowed to recover them.[12] Moreover, Beehive's rates are under investigation in this proceeding, and the Commission has held that presumptions of lawfulness do not survive if a tariff is set for investigation.[13] Beehive therefore still has the burden of proof under Section 204(a)(1) of the Act to show that its rates are just and reasonable, and to the extent that it seeks to recover significant legal expenses, it must show that its litigation costs have been reasonable

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10 12 FCC Rcd 5105, 5144 (1997).

11 Id. at 5121.

12 Id. at 5144.

13 Policies and Rules Concerning Rates for Dominant Carriers, 4 FCC Rcd 2873, 3253 (1989).

and prudent and benefited ratepayers.[14] Beehive has not made such a showing with respect to most of the legal expenses it seeks to recover in its proposed rates.

The "shareholder" litigation, which was the most costly litigation for Beehive, causing it to incur 76 percent or $554,536 of its legal expenses in 1995, was a family dispute in which Mr. Brothers sought to retain control of the Beehive Telephone Companies after his wife filed for divorce. Direct Case at 26-29. There was no benefit to ratepayers from this litigation, which had the result of perpetuating the control of Beehive by Mr. Brothers, whom the Commission has already found to be unfit to be a Commission licensee. Indeed, in the same case which Beehive cites (Direct Case at 3) to show that there would be no service to Beehive's customers if not for Mr. Brothers, the Commission also found that he lacked the candor and integrity to be a Commission licensee and that he had not rehabilitated himself throughout the course of the proceedings. Only because the Commission found that service to Beehive's territory could be jeopardized if Mr. Brothers lost the legal ability to provide service because there was no one else available to manage the company, did it allow him to retain the

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14 Accounting for Judgments and Other Costs Associated with Litigation, 12 FCC Rcd 5112 (1997).

requisite licenses.[15] In light of these past findings that Mr. Brothers is unqualified to be a Commission licensee, Beehive cannot claim that it benefited ratepayers to incur significant costs to retain Mr. Brothers as its president when there were clearly others available to assume ownership and control of the companies. Moreover, it is unclear from the direct case how much of the expenses associated with the shareholder litigation are personal costs which Mr. Brothers incurred to litigate his divorce, and are therefore not appropriately assigned to the Beehive companies.

Beehive also seeks to recover over $200,000 in legal expenses it incurred to contest the decision of U.S. WEST to sell several rural telephone exchanges to the South Central Telephone Cooperative Association ("SCUTA") instead of Beehive. Direct Case at 24-25. Beehive's attempt to expand its exchange territory in 1994 and 1995 did not and would not have benefited IXC ratepayers, who would have been forced to pay Beehive's grossly inflated access rates during those years to originate and terminate long distance traffic in those exchanges. Because Beehive raised its access rates for all customers when it de-pooled from NECA in order to fund the chat line, IXC customers would have been forced to pay rates of $.47 and

15 Application of Beehive Telephone Co., Inc., CC Docket No. 78-420, Memorandum Opinion and Order, FCC 86-164, released April 14, 1986.

$.14 per access minute of use in the Hanksville exchanges had Beehive prevailed in its suit as compared to paying U.S. WEST $.02913 per minute in 1994 and $.027895 in 1995 for the same service. Indeed, Beehive has not shown otherwise. Moreover, it is not clear how Beehive's current local ratepayers would have benefited from the acquisition.

Beehive also claims $51,601 in legal expenses for an unexplained breach of contract suit with James E. Ball. Beehive's cavalier argument that this matter arose in the ordinary course of business and can be recorded "above the line" fails to demonstrate that the litigation expenses were reasonable and prudent. Beehive has also failed to comply with the Designation Order requiring it to describe this proceeding and to explain how its access customers benefited from it. Beehive's attempt to recover approximately $219,000 in the "Bellcore" litigation to retain 800 numbers associated with its "innovative 800 service" (Direct Case at 7, 18-20) is similarly suspect. Beehive has stated only that the 800 service would result in increased access revenues in the same manner that the JEI arrangement did, and has not otherwise shown how its access customers would benefit from its actions.

Beehive also claims over $12,000 in recoverable legal expenses for its case against the Federal Aviation Administration and the City of Wendover for access to a heated airplane hangar at the city airport. Direct Case at 21-22. Although Beehive asserts that it maintains airplanes to repair system outages, it is not clear that it is necessary for a company the size of Beehive to maintain three aircraft. Direct Case at 22. Moreover, based on remarks Mr. Brothers has made in his monthly magazine column on telephony, it is not clear that the three aircraft are used solely for company business or solely for the benefit of Beehive's customers.[16]

Finally, Beehive has recorded $125,000 in legal expenses payable directly to Mr. Brothers. Beehive has not shown how these expenses are assignable as legal costs or recoverable from ratepayers. Even if Mr. Brothers is qualified to represent the legal interests of Beehive on a professional or pro se basis (and the record contains no such evidence), Beehive has not shown that Mr. Brothers should collect fees in addition to his salary.

In sum, Beehive reports that its legal expenses totaled over $1.3 million in 1994, 1995 and 1996.[17] Direct Case at 31. Of this amount, it seeks to recover approximately $1,144,656, not including the $125,000 paid to Mr. Brothers, for expenses associated with the Bellcore, AT&T/MCI, Wendover, Hanksville, shareholder and

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16 See Attachment 2 (reproduction from Beehive's website of Brothers' column in Americas Network).

17 The Designation Order (para. 10(e)) indicates that Beehives legal and accounting expenses were $1,969,350 in 1994, 1995 and 1996. Based on Beehive's reported legal expenses, it apparently incurred over $600,00 in accounting costs during those three years. Beehive has not addressed why these accounting charges were so high.

breach of contract cases. It has wholly failed to show that these expenses were reasonable, incurred as business expenses or that they benefited access customers in any manner. In fact, these expenses inflate Beehive's extraordinarily high corporate operations expenses, which it has been attempting to recover through rates set at unlawfully high rate of return percentages since 1994, and should be expressly disallowed by the Commission.

In numerous other respects, Beehive has made it impossible for the Commission to verify that its expenses are properly recoverable through increased access rates. Certain expenses have been recorded by Beehive in such a manner that it is unclear whether they are legitimate company expenses or personal expenses assigned to company accounts. For example, in addition to the anomalies associated with the debit and credit entries for JEI, the ledgers show obscure expenses for "Brothers Leasing," medical expenses for certain individuals who may or may not be family members of Mr. Brothers; monies paid to the Immigration and Naturalization Service; payments of $34,896 in December 1994 made to Frances Gaines Brothers recorded in buried cable, customer service and administrative expenses; and $132,247 in payments made to "Cowlitz River Software" for unidentified customer billing expenses, which entries have been marked inexplicably "reclass chk" or "reclass entry." There are also entries for "other regulated income" of $19,200 which is not explained. Without further explanation from Beehive, the Commission should also disallow these expenses.

AT&T also discovered errors in Beehive's local switching calculations. Specifically, in the development of Beehive's annual traffic apportionment data, it appears that Beehive used exchange minutes of use instead of total company minutes of use. Therefore, its percent of interstate minutes of use as compared to total company minutes of use (LDI SLU factor) is too high, and results in over-allocation of its local switching investment to the interstate jurisdiction. Accordingly, AT&T re-calculated Beehive's local switching revenue requirement to be 878,324 rather than Beehive's figure of $1,194,729.[18] Based solely on this error, and not

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[18] The local switching calculations on Beehive's local switching rate development worksheet are inconsistent with its cost studies.

accounting for its inflated expenses, Beehive's local witching rate should be reduced from $.028252 per minute to $.020770. Appended hereto as Attachments 2 and 3 are AT&T's worksheets reflecting these calculations. The Commission should then reduce the rate further consistent with its findings regarding the extent to which it will allow Beehive's unreasonable expenses for JEI, legal costs and other its other unsupported expenses.

WHEREFORE, for the foregoing reasons, Beehive has failed to meet its burden of proof under Section 204 of the Act to demonstrate that its rates are just and reasonable, and the Commission should either prescribe a lower rate or allow Beehive only a partial authorization of its total rate, which is just, fair and reasonable.

Respectfully submitted,

AT&T CORP.

By ______________________

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April 20, 1998

# ATTACHMENT 1

# Beehive - 1/1/98 Filing Justification

Attachment 1

**1995 Overall Expenses to TPIS Ratio - Annual Carrying Charge**

| | Source | NV | UT |
|---|---|---|---|
| Total Revenue Requirement | *Part 69 | $ 221,499 | $ 2,382,239 |
| Total Plt in Service | *Part 69 | $ 513,554 | $ 1,942,385 |
| Annual Carrying Charge | Calc<br>(Ln 8 / Ln 10) | **43.13%** | **122.65%** |

**1996 Overall Expenses to TPIS Ratio - Annual Carrying Charge**

| | Source | NV | UT |
|---|---|---|---|
| Total Revenue Requirement | *Part 69 | $ 153,778 | $ 2,094,448 |
| Total Plt in Service | *Part 69 | $ 413,572 | $ 2,467,517 |
| Annual Carrying Charge | Calc<br>(Ln 8 / Ln 10) | **37.18%** | **84.88%** |

Average for Companies is Between 30% - 40%

Indicates overall expenses for UT are way above the norm in relation to its TPIS (Investment)

* Beehive's 1995 & 1996 Unweighted Study

# ATTACHMENT 2

# The Beehive Telephone Companies

## The Last Word

CHOOSE FROM
HOME
INTRODUCTION
OUR SERVICES
OUR AREA
USEFUL LINKS
LAST WORD
E-MAIL

*This discussion is Beehive CEO's - monthly column as found on the last page of Americas Network magazine. They have been printing his letters for nearly 20 years. This column will remain posted till he writes the next one.*

The Last Word.. September 1997

# Hawaiian eye-opener

A while back, the State of Hawaii passed legislation setting aside certain parcels of land for native Hawaiian folk to establish homes on land exclusively for native Hawaiians.

Naturally, something of this magnitude *doesn't just happen.* The personalities behind the creation of these new communities are listened to -- in all aspects of Hawaiian politics, business and culture.

RUS funds are in the bag. And it came as a real eye-opener when both GTE -- the traditional telephone company on the Hawaiian islands -- and the Hawaii Public Service Commission discovered that the homelands also intended to establish its own telephone company. Long-time veteran Fred Stout (fstout@aloha.net)was hired to do just that. He is.

**MEANWHILE...**

The highest building on the Pearl Harbor Navy installation is an apartment building for military personnel. The switch is a leased 20-20 from Harris. The facility came to be from the work of Bill Phillips of Denver; only problem is that the entire facility reportedly is operating under Chapter 11 protection because of conflicting opinions of where the alleged loot should be buried.

The story is still unfolding, but the cast of characters includes the genius of Bill and folk in corporations like AT&T, Sprint and Harris. The fun part was a BLUEREP from the Navy Admiral. (The BLUEREP is a fleet-wide notice of a problem. The effect was to verbally tar and feather the industry dealing with telecommunications services in barracks.) Admiral are not necessarily humored by things that don't work. No excuses. If they think there is no time for civilians to argue, then shove'em over the side and bring in a new crew.

Notwithstanding the mucho loot to be earned from providing such services, it is interesting to read the court documents which provide insight to the bodies that get stepped on in the course of staking out new claims in our now competitive business. I'll tell you more -- another time.

**TRI-STATE**

The local exchange telcos of Idaho, Utah and Wyoming hold a joint convention each year. This year it was in Cody. Wyo. Cody is way up north, outside the east gate of Yellowstone National Park. Cody's 8,000 souls host tens of thousands of tourists each year. The main attraction is the Buffalo Bill Western Museum.

The curator of any museum would drool over the superior quality and size of the Buffalo Bill Western

Museum building. It has the everything from finest historical exhibits of American guns to artful displays and narration of Western history and art -- it is a must do for all, sometime in this life. Plan to spend at least a full day.

There's no lack of mature people-watchers who are delighted to answer questions. And, they hand-stamp, so you can get back in when hunger takes you out to some of the fast-food purveyors adjacent to the museum.

Many of our Utah attendees to the convention thought to drive through Yellowstone on the way to Cody. All reported toad construction and massive traffic jams, resulting in 10 to 13 hour trips. Because of the mountains, no roads are direct in this area.

Knowing this, we three Beehive guys motored up in the Cessna, taking just four minutes longer than Southwest Airlines' 737 over the same route.

Besides gold (which I don't) and dinner (which I do.), the most crowded part was the two hours allocated to the sales guys who brought some of their wares. I was impressed with a nice little $4,500 spread spectrum on 960 MHz that takes 56K to provide five subscriber telephone lines by air from point X to point Y.

Now, if they'd only split the central office end transmitter from multiplexer so we could multiplex that over two pair to the CO from the radio, I'd buy several. Not enough demand, they say.

NOTE:

Could someone please explain the competitive reason we have a $3 per month Federal Communications Commission mandated charge on wireline phones, and ZERO of cell phones?

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# ATTACHMENT 3

| | A | B | C | D | E |
|---|---|---|---|---|---|
| 1 | Beehive - 1/1/98 Filing Justification | | | | |
| 2 | Attachment 3 | | | | |
| 3 | | | | | |
| 4 | | | | | |
| 5 | | **1995 REVENUE REQUIREMENT RECALCULATION** | | | |
| 6 | | | | | |
| 7 | | | | | |
| 8 | | **Source** | **UTAH** | **NEVADA** | **TOTAL** |
| 9 | | | | | |
| 10 | LDI SLU Factor | pgs 359 & 367, Ln 52 | 0.708846 | 0.386513 | |
| 11 | | (Dev of Annual Traf Apport Data) | | | |
| 12 | Recalculated | | | | |
| 13 | LDI SLU Factor | Recalculation of Ln 52 above | 0.4032306 | 0.249499 | |
| 14 | | | | | |
| 15 | LDI SLU Factor Difference | Calculation (Ln 9 - Ln 12) | 0.3056154 | 0.137014 | |
| 16 | | | | | |
| 17 | Category 3 Investment | * Part 36 | $ 375,247 | $ 71,585 | |
| 18 | (Total Company) | | | | |
| 19 | | | | | |
| 20 | Difference in Gross Investment | Calculation (Ln 14 * Ln 16) | $ 114,681 | $ 9,808 | |
| 21 | | | | | |
| 22 | Annual Carrying Charge | Attachment 1 | 1.2265 | 0.4313 | |
| 23 | | | | | |
| 24 | Revenue Requirement Adjustment | Calculation (Ln 21 * Ln 19) | $ 140,657 | $ 4,230 | $ 144,887 |
| 25 | Due to incorrect LDI SLU Factor | | | | |
| 26 | | | | | |
| 27 | LS Rev Req in Study | * Part 69 | $ 581,680 | $ 20,752 | $ 602,432 |
| 28 | | | | | |
| 29 | Adjusted Revenue Requirement | Calculation (Ln 25 - Ln 23) | $ 441,023 | $ 16,522 | $ 457,545 |
| 30 | | | | | |
| 31 | | | | | |
| 32 | | | | | |
| 33 | | | | | |
| 34 | | **1996 REVENUE REQUIREMENT RECALCULATION** | | | |
| 35 | | | | | |
| 36 | | | | | |
| 37 | | **Source** | **UTAH** | **NEVADA** | **TOTAL** |
| 38 | | | | | |
| 39 | LDI SLU Factor | pgs 343 & 352, Ln 52 | 0.738158 | 0.19709 | |
| 40 | | (Dev of Annual Traf Apport Data) | | | |
| 41 | Recalculated | | | | |
| 42 | LDI SLU Factor | Recalculation of Ln 52 above | 0.412910678 | 0.140290379 | |
| 43 | | | | | |
| 44 | LDI SLU Factor Difference | Calculation (Ln 9 - Ln 12) | 0.325247322 | 0.056799621 | |
| 45 | | | | | |
| 46 | Category 3 Investment | * Part 36 | $ 615,811 | $ 71,585 | |
| 47 | (Total Company) | | | | |
| 48 | | | | | |
| 49 | Difference in Gross Investment | Calculation (Ln 14 * Ln 16) | $ 200,291 | $ 4,066 | |
| 50 | | | | | |
| 51 | Beehive's Annual Carrying Charge | Attachment 1 | 0.8488 | 0.3718 | |
| 52 | | | | | |
| 53 | Revenue Requirement Adjustment | Calculation (Ln 21 * Ln 19) | $ 170,007 | $ 1,512 | $ 171,519 |
| 54 | Due to incorrect LDI SLU Factor | | | | |
| 55 | | | | | |
| 56 | LS Rev Req in Study | * Part 69 | $ 580,376 | $ 11,921 | $ 592,297 |
| 57 | | | | | |
| 58 | Adjusted Revenue Requirement | Calculation (Ln 25 - Ln 23) | $ 410,369 | $ 10,409 | $ 420,778 |
| 59 | | | | | |
| 60 | | | | | |
| 61 | 1996 & 1996 Adjusted Revenue | | | | |
| 62 | Requirement For 1/1/98 LS Rates | Calculation (Ln 29 + Ln 58) | $ 851,393 | $ 26,931 | $ 878,324 |
| 63 | | | | | |
| 64 | | | | | |
| 65 | * Beehive's 1995 & 1996 Unweighted Study | | | | |

# ATTACHMENT 4

# Beehive 1/1/98 Filing Justification

Attachment 4

**LOCAL SWITCHING RATE RECALCULATION USING ADJUSTED REVENUE REQUIREMENT**

| | Source | According to BHT 1/1/98 Filing | Recalculated LS Rate |
|---|---|---|---|
| Switching Rev Req | Beehive Rate Dev Wkst (pg 00001) & Attachment 2 | $1,194,729 | $878,324 |
| Total Access MOUs | Calculation (Ln14 + Ln 15) | 55,585,464 | 55,585,464 |
| Premium | Beehive Rate Dev Wkst | 31,407,602 | 31,407,602 |
| Non Premium | Beehive Rate Dev Wkst | 24,177,862 | 24,177,862 |
| Ratemaking Demand | (Ln 15 + (0.45 * Ln 16)) | 42,287,640 | 42,287,640 |
| Premium Rate | (Ln 11 / Ln 18) | 0.028252 | 0.020770 |
| Non Premium Rate | (Ln 21 * 0.45) | 0.012714 | 0.009347 |

CERTIFICATE OF SERVICE

I, Ann Marie Abrahamson, do hereby certify that on this 20th day of April, 1998, a copy of the foregoing "Opposition to Direct Case of Beehive Telephone Company" of AT&T Corp. was served by facsimile transmission and by U.S. first class mail, postage prepaid, to the parties listed below.

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